## COMPANY RESULTS

# Greatech Technology (GREATEC MK)

1H25: In Line With House Expectations; Growth Traction Building Up Into 4Q25

**Earnings were in line with our expectations but fell short of consensus, weighed by steeper forex losses. While the orderbook eased to RM608m, visibility is improving with Greatech targeting around RM700m in new wins in 2025 to be led by the solar and e-mobility segments, followed by the semiconductor segment against a backdrop of firmer policy clarity. We tweaked our 2026 earnings by +5% to account for higher wins from the semiconductor segment. Maintain BUY with a higher target price of RM2.30.**

### 1H25 RESULTS

| Year to 31 Dec (RMm) | 2Q25 | qoq% chg | yoy % chg | 1H25 | yoy % chg |
|---|---|---|---|---|---|
| Revenue | 232.7 | 32.7 | 13.0 | 408.1 | 14.1 |
| Gross profit | 65.3 | 11.7 | (4.7) | 123.7 | 18.5 |
| EBITDA | 37.0 | (27.0) | (35.8) | 87.6 | (9.8) |
| Operating profit | 29.7 | (31.4) | (43.6) | 72.9 | (16.6) |
| Finance cost | (0.7) | 169.3 | 207.5 | (1.0) | 109.1 |
| Pre-tax profit | 28.9 | (32.7) | (44.7) | 71.9 | (17.3) |
| Net Profit | 25.9 | (29.8) | (46.4) | 62.8 | (21.9) |
| Core Net Profit | 37.5 | (4.5) | (25.0) | 76.8 | (8.2) |
| **Margins (%)** | | **qoq ppt chg** | **yoy ppt chg** | | **yoy ppt chg** |
| Gross Profit | 28.0 | (5.3) | (5.2) | 30.3 | 1.1 |
| EBITDA | 15.9 | (13.0) | (12.1) | 21.5 | (5.7) |
| PBT | 12.4 | (12.1) | (13.0) | 17.6 | (6.7) |
| Net Profit | 11.1 | (9.9) | (12.4) | 15.4 | (7.1) |
| Core Net Profit | 16.1 | (6.3) | (8.2) | 18.8 | (4.6) |

*Source: Greatech, UOB Kay Hian*

### RESULTS

- **Within our but below consensus expectations.** Greatech Technology (Greatech) reported 2Q25 core net profit of RM37.5m (-5% qoq, -25% yoy), bringing 1H25 core net profit to RM76.8m (-8%) which made up 53%/43% of our/consensus estimates. Note that core numbers were adjusted for unrealised forex losses of RM12.5m. The shortfall against consensus forecasts was mainly due to higher-than-expected realised forex losses during the quarter, as the US dollar/Malaysian ringgit rate swung by as much as 7%.
- **1H25 revenue increased 14% yoy,** mainly driven by stronger revenue recognition from the Production Line System (PLS) of e-mobility and semiconductor revenues. However, core net profit dropped 8% due to realised forex losses of RM6.6m (vs 1H24 forex gains of RM13.1m) despite better GP margins on the back of lower subcontractor costs.

### KEY FINANCIALS

| Year to 31 Dec (RMm) | 2023 | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Net turnover | 658.8 | 752.4 | 820.0 | 925.3 | 960.0 |
| EBITDA | 182.2 | 202.9 | 194.0 | 230.9 | 257.9 |
| Operating profit | 166.8 | 180.6 | 165.6 | 197.0 | 219.3 |
| Net profit (rep./act.) | 154.4 | 155.0 | 143.8 | 169.8 | 189.8 |
| Net profit (adj.) | 167.6 | 153.4 | 143.8 | 169.8 | 189.8 |
| EPS (sen) | **6.7** | **6.1** | **5.7** | **6.8** | **7.6** |
| PE (x) | **29.0** | **31.8** | **33.9** | **28.7** | **25.7** |
| P/B (x) | 6.5 | 5.4 | 4.6 | 4.0 | 3.5 |
| EV/EBITDA (x) | 20.3 | 18.0 | 18.6 | 15.1 | 13.1 |
| Dividend yield (n.a.) | | | | | |
| Net margin (%) | 23.4 | 22.7 | 21.0 | 22.0 | 23.7 |
| Net debt/(cash) to equity (%) | (0.22) | (0.23) | (0.25) | (0.31) | - |
| Interest cover (x) | 243.0 | 199.7 | 150.7 | 133.6 | 110.7 |
| ROE (%) | 23.1 | 20.5 | 17.6 | 17.9 | 18.5 |
| Consensus net profit | | | 179.3 | 206.1 | |
| UOBKH/Consensus (x) | | | 0.80 | 0.82 | |

*Source: Greatech, Bloomberg, UOB Kay Hian*

## BUY

(Maintained)

| | |
|---|---|
| Share Price | RM1.94 |
| Target Price | RM2.30 |
| Upside | +18.6% |
| *(Previous TP* | *RM2.19)* |

### COMPANY DESCRIPTION

Greatech Technology is primarily a manufacturer of automated equipment. Its products range from single automated equipment up to a production line system which comprises multiple automated equipment.

### STOCK DATA

| | |
|---|---|
| GICS sector | Information Technology |
| Bloomberg ticker: | GREATEC MK |
| Shares issued (m): | 2,514.8 |
| Market cap (RMm): | 4,878.8 |
| Market cap (US$m): | 1,153.4 |
| 3-mth avg daily t'over (US$m): | 1.6 |

**Price Performance (%)**

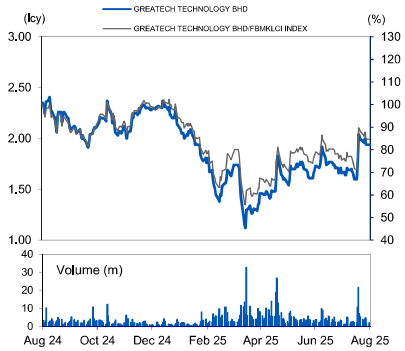
52-week high/low RM2.42/RM1.12

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 14.1 | 21.3 | 7.2 | (19.8) | (16.4) |

| **Major Shareholders** | **%** |
|---|---|
| Gtech Holdings Sdn Bhd | 52.3 |
| Khor Lean Heng | 5.9 |
| AIA Bhd | 4.2 |

| | |
|---|---|
| FY25 NAV/Share (RM) | 0.42 |
| FY25 Net Cash/Share (RM) | 0.11 |

### PRICE CHART




*Source: Bloomberg*

### ANALYST(S)

**Desmond Chong**
+603 2147 1980
desmondchong@uobkayhian.com

- **Revenue soared 33% qoq,** driven by higher PLS revenue from e-mobility (+2x) and semiconductor sectors. However, core net profit dropped 5% on higher realised forex losses of RM5.8m (vs RM0.8m forex losses in 1Q25). Excluding forex effects, core net profit would have posted a modest 6% growth, though margins were still pressured by elevated material and component costs, reflecting the transition into the assembly stage of projects (which carry higher input costs compared to the earlier commissioning stage).

## STOCK IMPACT

- **Orderbook softer, but momentum building into 4Q25.** Greatech's outstanding orderbook stood at RM608m (-19% but still one of the highest among peers) and is expected to last till 2H26. As of mid-Aug 25, the group secured around RM174m in new orders – primarily from e-mobility clients (PLS), solar client (PLS), semiconductor automation / consumer electronics clients (for PLS and standalone equipment), followed by medical and pharmaceutical clients. Order wins have lagged amid cautious loading across key clients so far, in response to volatile trade tariffs and shifting sector policies back then. Nevertheless, management flagged improving visibility towards late 3Q25, with expectations of stronger order flows led by the solar and e-mobility segments, followed by the semiconductor segment. The group targets around RM700m in additional wins in 2025, underpinned by co-development projects with customers on the backs of next-gen solutions, firmer policy visibility, Malaysia's geopolitically neutral stance, and rising opportunities from trade diversion.

## EARNINGS REVISION/RISK

- We tweaked our 2026 earnings by +5% to account for higher wins from the semiconductor segment. Note that our earnings estimates remain 18-20% below consensus on a conservative margin assumption (reflecting partial margin dilution from tariff impact).

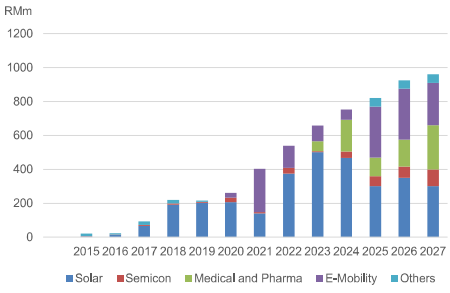
## VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of RM2.30 (from RM2.19),** which is still based on a 34.0x 2026F PE, at the industry's seven-year forward PE.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

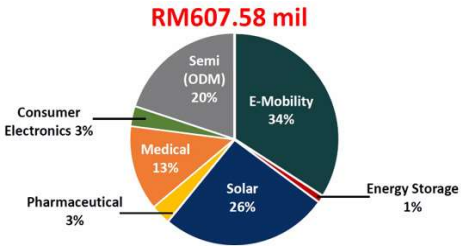
| |
|---|
| • **Environmental** |
| - Its operations and production as a machine manufacturer are generally not energy-intensive. |
| - New headquarters include energy-saving features like LED lighting and sensors to control and minimise energy usage in the building. |
| • **Social** |
| - Contributed RM1.7m/RM2.9m in cash and in-kind to >25 charities, non-profit organisations and educational institutions across the region in 2020-21. |
| • **Governance** |
| - The company has in place an Anti-Bribery and Anti-Corruption Policy. There were zero whistle-blowing and bribery instances in 2020. |

## REVENUE DRIVERS ASSUMPTIONS



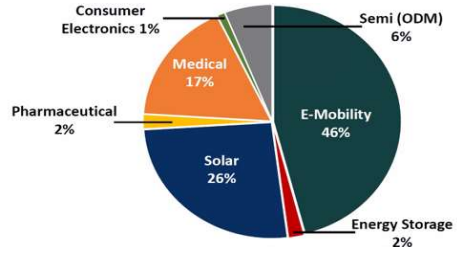

*Source: Greatech, UOB Kay Hian*

## OUTSTANDING ORDERBOOK




*Source: Greatech, UOB Kay Hian*

## REVENUE BY SEGMENT (1H25)




*Source: Greatech, UOB Kay Hian*

## PROFIT & LOSS

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Net turnover** | **752** | **820** | **925** | **960** |
| EBITDA | 203 | 194 | 231 | 258 |
| Deprec. & amort. | 22 | 28 | 34 | 39 |
| EBIT | 181 | 166 | 197 | 219 |
| Associate contributions | 0 | 0 | 0 | 0 |
| Net interest income/(expense) | -1 | -1 | -2 | -2 |
| **Pre-tax profit** | **180** | **164** | **195** | **217** |
| Tax | -25 | -21 | -25 | -27 |
| Minorities | 0 | 0 | 0 | 0 |
| Net profit | 155 | 144 | 170 | 190 |
| **Net profit (adj.)** | **153** | **144** | **170** | **190** |

## BALANCE SHEET

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| Fixed assets | 387 | 479 | 565 | 646 |
| Other LT assets | 99 | 99 | 99 | 99 |
| Cash/ST investment | 226 | 280 | 391 | 505 |
| Other current assets | 390 | 425 | 449 | 461 |
| **Total assets** | **1,112** | **1,293** | **1,514** | **1,722** |
| ST debt | 1 | 1 | 1 | 1 |
| Other current liabilities | 170 | 208 | 259 | 276 |
| LT debt | 12 | 12 | 12 | 12 |
| Other LT liabilities | 20 | 20 | 20 | 20 |
| Shareholders' equity | 909 | 1,053 | 1,223 | 1,413 |
| Minority interest | 0 | 0 | 0 | 0 |
| **Total liabilities & equity** | **1,112** | **1,293** | **1,514** | **1,722** |

## CASH FLOW

| Year to 31 Dec (RMm) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Operating** | **114.9** | **175.6** | **232.3** | **236.5** |
| Pre-tax profit | 180 | 164 | 195 | 217 |
| Tax | (25) | (21) | (25) | (27) |
| Deprec. & amort. | 22 | 28 | 34 | 39 |
| Working capital changes | (65) | 0 | 25 | 4 |
| Non-cash items | 2 | 2 | 2 | 2 |
| Other operating cashflows | 2 | 2 | 2 | 2 |
| **Investing** | (62) | (120) | (120) | (120) |
| Capex (growth) | (62) | (120) | (120) | (120) |
| Investments | 0 | 0 | 0 | 0 |
| Proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| **Financing** | (3) | (1) | (2) | (2) |
| Dividend payments | 0 | 0 | 0 | 0 |
| Issue of shares | 0 | 0 | 0 | 0 |
| Proceeds from borrowings | 0 | 0 | 0 | 0 |
| Loan repayment | (3) | 0 | 0 | 0 |
| Others/interest paid | 0 | (1) | (2) | (2) |
| **Net cash inflow (outflow)** | **50** | **54** | **111** | **114** |
| **Beginning cash & cash equivalent** | **181** | **226** | **280** | **391** |
| Changes due to forex impact | **(4)** | **0** | **0** | **0** |
| **Ending cash & cash equivalent** | **226** | **280** | **391** | **505** |

## KEY METRICS

| Year to 31 Dec (%) | 2024 | 2025F | 2026F | 2027F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 29.7 | 28.4 | 29.9 | 32.2 |
| Pre-tax margin | 26.3 | 24.0 | 25.3 | 27.1 |
| Core net margin | 22.7 | 21.0 | 22.0 | 23.7 |
| ROA | 16.2 | 14.3 | 14.5 | 15.1 |
| ROE | 20.5 | 17.6 | 17.9 | 18.5 |
| | | | | |
| **Growth** | | | | |
| Turnover | 15.6 | 10.8 | 15.4 | 20.5 |
| EBITDA | 12.5 | (5.3) | 22.9 | 39.5 |
| Pre-tax profit | 8.9 | (10.2) | 22.6 | 38.5 |
| Net profit | 0.4 | (8.7) | 21.8 | 38.5 |
| Net profit (adj.) | (0.1) | (0.1) | 0.2 | 0.1 |
| EPS | (9.6) | (7.6) | 21.8 | 38.5 |
| | | | | |
| **Leverage** | | | | |
| Debt to total capital | 1.4 | 1.2 | 1.0 | 0.9 |
| Debt to equity | 1.4 | 1.2 | 1.0 | 0.9 |
| Net debt/(cash) to equity | (0.2) | (0.3) | (0.3) | (0.3) |
| Interest cover (x) | 199.7 | 150.7 | 133.6 | 110.7 |